



The 234th meeting of the Rhode Island Student Loan Authority was held on Thursday, February 9, 2006 in the 2nd floor Conference Room, 560 Jefferson Boulevard, Warwick Rhode Island. The Dr. William Croasdale called the meeting to order at 1:10 PM.

The following Board members were in attendance:

Dr. William Croasdale
Mr. John Howell
Dr. Anthony Santoro
Hon. Paul J. Tavares, General Treasurer

Others in attendance:

Mr. Noel Simpson, Executive Director, RISLA
Mr. Joseph R. Palumbo, Jr., General Counsel
Ms. Jennifer Dutch, RISLA
Mr. Charles P. Kelley, Executive Director, NESLA
Mr. Kevan McAleer, CFO, NESLA
Ms. Rebecca Johnson, Office of the General Treasurer
Mr. Marc Lacroix, CFO, RIHEAA
Ms. Gail Mance-Rios, Deputy Director, RIHEAA

Upon a motion by Dr. Croasdale and seconded by Dr. Santoro it was unanimously

VOTED: To approve minutes from the board meeting held on December 2, 2005.

Election of Officers

Mr. Simpson indicated that at the last election of officers of the Board of Directors, which was held in October, 2004 Dr. McKenna was voted Chairperson, Christine Jenkins Vice-Chairperson, and Dr. Croasdale Secretary and Treasurer. Mr. Simpson indicated that there is a vacancy in the Vice-Chairperson's seat and expressed a need to fill this vacancy.

Upon a motion by Mr. Tavares, it was unanimously

VOTED: To elect Dr. Anthony Santoro as Vice Chairperson of the Board of Directors.

Chairman's Report

No Chairman's report.

Executive Director's Report

Mr. Simpson reported on the medical condition of Dr. McKenna.

Mr. Simpson noted that Laura DiSano resigned from the Board. Mr. Simpson indicated that he spoke with the Governor's staff with regard to same and they have indicated that they have also received a copy of Ms. DiSano's resignation letter and are in the process of seeking out a replacement to serve out her term (through June 2009). Mr. Simpson noted that he is aware of one person who has sent a letter of interest to the Governor's office, John Canning, who is Financial Aid Director at Bryant University.

Mr. Simpson provided an update on Separation of Powers. Mr. Simpson noted that there are a couple of bills pending in the Assembly which have not been heard as yet. Mr. Simpson stressed the importance of having continuity and good Board members.

Mr. Simpson spoke about some other bills pending in the legislature and the nursing forgiveness program.

Mr. Simpson discussed the winter conference sponsored by RISLA and NESLA for school representatives and indicated that about 75 representatives attended the program. Mr. Simpson remarked on the positive feedback received from the attendees and noted that the speakers who spoke about credit, demographics, and higher education reauthorization were all well received.

Mr. Simpson indicated that the College Planning Center began running 15 second radio advertisements this week. Mr. Simpson indicated that the ads will run for 16 weeks for a total cost of \$30,000. A copy of the text for the ads was handed out to the Board members. Mr. Simpson noted that the ads were very successful last year and he wants to continue on the same path.

Mr. Simpson indicated that the federal Budget Reconciliation Act was signed into law yesterday. Mr. Simpson provided a summary of what this means to the Authority.

Mr. Simpson also pointed out that the Higher Education Reauthorization bill is still being worked on and that the President's 2007 budget calls for the elimination of the Perkins Loan which Mr. Simpson believes will have some impact on the Authority.

Mr. Simpson noted that RISLA has moved up from 39th to 37th on the Department of Education's national list of loan originators.

Dr. Santoro asked about the effect of eliminating the Perkins Loan. Mr. Simpson noted that the Perkins Loan is a school based loan program and it's the most needy students who apply for the Perkins Loan.

Mr. Howell asked about the Shanley bill and whether it is something that the Authority should support. Mr. Simpson indicated that he will continue to monitor the progress of the bill and believes it is worth supporting.

Financial Report

Mr. Simpson provided an executive summary of the revised budget which includes the changes to the budget already approved by the Board, the additional rental space across the hall, and, changes to the employee benefits.

Ms. Dutch provided a summary of the financial report for November, 2005.

Department of Education and Single Audit

Mr. Simpson summarized the audit conducted of the Authority and noted that there were no exceptions found.

Dr. Croasdale asked if RISLA has to go out to bid again for an auditing firm. Mr. Simpson indicated that a draft RFP has been prepared. Mr. Simpson noted that RISLA has used the same firm since 1994, but have switched partners assigned to RISLA to maintain a balance.

Mr. Lacroix noted that RIHEAA is in the same position and RIHEAA has had the same audit firm for the past several years.

Nelnet Report

Mr. Kelley indicated that Nelnet jumped from 24th to 19th in the country in terms of loan originators.

Mr. Kelley noted that Nelnet is going to begin to provide more higher education services including enrollment planning services, web based services for schools, and has purchased a payment plan company in Nebraska.

Mr. Kelley indicated that the Governor in Missouri has proposed selling off the Missouri student loan group and in Illinois there is still debate in what is going to happen with its student loan group.

Mr. Simpson noted that he received a call from the Attorney General's office in Missouri who commented positively on the transaction between Nelnet and RISLA.

Dr. Santoro asked if Missouri will do the same thing as RISLA and Nelnet.

Mr. Kelley indicated that he believes Missouri will probably sell of some of its loans to obtain funding.

Mr. Kelley noted that there is a change in the budget deficit program and as of July 1, the interest rates on parent PLUS loans will jump from 6% to 8.5%. Mr. Kelley indicated that this is basically a tax on parents to pay for the budget deficit and Katrina.

Mr. Kelley reported on the status of the cooperative agreement with RIHEAA. Mr. Kelley provided to and reviewed with the board an outline of various elements of the agreement.

Dr. Croasdale thought that the original agreement had to be between RIHEAA and Nelnet. Mr. Palumbo indicated that this was contemplated but wasn't cast in stone.

Mr. Kelley explained that under the agreement, Nelnet would not market to an out of state guarantor, will increase loans to RISLA, promote the RIHEAA guarantee, increase the College Bound loan volume guarantee (Nelnet will not buy these loans), and cooperate in providing seminars, etc.

Mr. Simpson noted that there have not been any changes in the guaranteeing of RISLA loans by RIHEAA in the two years since the transaction between RISLA and Nelnet was consummated.

Dr. Santoro asked what the benefit of the cooperative agreement is to RIHEAA.

Mr. Simpson indicated that there has not been an assessment made with regard to that.

Dr. Santoro inquired how overall Nelnet is performing. Mr. Kelley noted that the company is doing very well.

Mr. Palumbo indicated that since the cooperative agreement has evolved into a three party agreement that it is best that he avoid any conflict, real or perceived, and will no longer be involved in the negotiations involving the cooperative agreement.

Mr. Kelley indicated that the plan is to get the parties together to agree on the business points and then have a mutually agreeable attorney put the agreement into legal format.

College Planning Center

Mr. Simpson indicated that Mr. DeBlois could not be present at the meeting because this is his busiest season and is booked for the next two weeks. Mr. Simpson noted that more than 4,000 people have already been seen at the Center this year.

Mr. Simpson indicated that he has been in contact with a realtor to find more space for possible relocation of the College Planning Center and noted that the current lease expires in August, 2006.

Dr. Croasdale suggested that staff just look for something during the busy months.

Dr. Santoro suggested using multiple locations – satellite offices.

Mr. Simpson mentioned that there are satellite offices/programs throughout Rhode Island.

Dr. Santoro suggested using the East Bay Collaborative.

Mr. Simpson indicated that there won't be any changes made without presenting a proposal to the Board.

Ms. Mance-Rios suggested buying a bus to use as a mobile unit.

Marketing Plan

Mr. Simpson indicated that the Bradford Group is working on a TV campaign for the Authority. The media campaign calls for a budget of \$100,000.

Mr. Howell suggested putting out an RFP for public relations and advertising.

Mr. Kelley mentioned putting placement ads on search engines but believes that advertising was better left to advertising experts.

Mr. Simpson noted that this is the third year RISLA is planning to have the SAT prep test course but found that one school has not been effective so the Authority would like to have eliminate one of the schools and have only six schools in the program his year. Mr. Simpson noted that there are 180 participants and the cost of same is approximately \$42,000. Mr. Simpson noted that this course has given students an average increase from their PSAT scores to their SAT scores between 30 to 129 points.

Dr. Croasdale asked whether the SAT course is aimed toward needy students. Mr. Simpson indicated that RISLA is relying on the guidance counselors at the schools to point out the appropriate students for the program. Dr. Croasdale suggested that RISLA inform the guidance counselors at the schools that the program is aimed toward needy students.

Upon a motion by Mr. Howell and seconded by Dr. Croasdale it was unanimously

VOTED: To approve the budget for the SAT preparation program.

Staffing Plan

Mr. Simpson noted that he has prepared a job description for a staff account who would assist in reconciling the trust accounts. Mr. Simpson indicated this is a full time position. Mr. Simpson asked if the Board would approve putting an advertisement in the newspaper for this position.

Mr. Howell asked if it would be better to hire a top level temp to fill the position so that there would be less training requirements and employee expenses involved than with creating a new position.

Mr. McAleer responded that RISLA would benefit more from hiring a full time employee as opposed to contracting out this position in terms of a long range plan.

Dr. Croasdale suggested establishing a salary range for the vacant position in the newspaper ad and asked if this should be considered as an additional expenditure for RISLA.

Mr. Howell asked Mr. Tavares for his opinion on whether the staffing issue should be an action item.

Dr. Santoro believes that it is an added expenditure.

Mr. Palumbo stated that RISLA's enabling legislation provides the Executive Director the discretion to fill this position.

Mr. Tavares agreed that this does not need to be an action item.

Broker Dealer bids

Mr. Simpson stated that RISLA issued an RFP for a broker dealer. Mr. Simpson noted that a broker dealer is an investment banker that creates a market for the auction rate securities. Mr. Simpson indicated that RISLA has done some investigating to find out if there is an opportunity to reduce the costs of the broker dealer and has determined there is an opportunity to reduce the broker dealer fee from 20 basis points to 15 basis points

Mr. Simpson suggested that RISLA hire the low bidder, JP Morgan Securities, and that it become a broker for a portion of the bonds that RISLA remarkets and have it compete against RISLA's existing brokers.

Mr. Howell asked if RISLA's existing brokers are currently aware of the change.

Mr. Simpson noted that they are aware of this change.

Mr. Simpson noted that this will result in a potential savings of \$200,000 to \$300,000 per year.

Upon a motion by Dr. Croasdale and seconded by Mr. Tavares it was unanimously

VOTED: To approve adding JP Morgan Securities as a broker dealer for Rhode Island Student Loan Authority.

Upon a motion duly made it was unanimously

VOTED: To adjourn.

Dr. Santoro adjourned the meeting at 2:52 P.M.

Adjournment was at 2:52 P.M.

Dr. William Croasdale
Secretary/Treasurer